



The President's Daily Brief

22 May 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

22 May 1973

PRINCIPAL DEVELOPMENTS

The dollar again came under sharp pressure in European currency and gold markets yesterday. (Page 1)

Prospects have improved for the Soviet Union's grain harvest, but the country will still have to import large amounts of grain to meet domestic and export requirements in fiscal 1974. (Page 2)

New passes accrediting Allied military liaison missions to Soviet forces in East Germany--announced by the Soviets last week and supposed to go into effect soon--are the first direct Soviet challenge of Western Allied rights and practices in Germany since the Quadripartite Agreement on Berlin. (Page 3)

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If Iceland's other appeals for help in the Cod War are rejected, the government may tie a request for Washington's support to US base negotiations. (Page 6)

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INTERNATIONAL MONETARY DEVELOPMENTS

The dollar again came under sharp pressure in European currency and gold markets yesterday. In the last two weeks the dollar has depreciated by about four percent against the European joint float currencies, and by almost five percent against the independently floating Swiss franc. Gold closed in London at about \$112 an ounce, up \$7.50 from Friday, and up \$22 since May 7. Traders apparently still are reacting to the US political scene rather than to any new economic development.

If the dollar continues to depreciate, pressures within the European joint float will increase. The currencies participating in the float so far have floated up against the dollar more or less in harmony. If strong differential pressures should develop among the currencies, however, this would be the first test of the members' declared commitment to a common currency.

Despite the rapid appreciation of the mark in recent weeks, it remains at the bottom of the European band and thereby retains more room for further appreciation than its partners in the joint float.

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USSR

An early spring and a massive sowing campaign have improved prospects for the Soviet Union's grain harvest this year. Even so, the country will probably need to import large amounts of grain to meet domestic and export requirements in fiscal 1974.

The present outlook is for a total harvest of about 154 million tons of usable grain, 20 million more than last year. This includes 37 million tons of winter grains--a disappointing harvest--and a possible record yield of 117 million tons from the spring sowing now in progress. Projections at this stage are still very uncertain, however.

The total Soviet requirement for grain in fiscal 1974 is estimated at 165 to 170 million tons. Even given this year's expected harvest, the USSR will need an additional 11 to 16 million tons of grain before the fall of 1974.

Moscow has recently contracted for more grain, but major portions of the new purchases are intended to make up remaining shortfalls from the 1972-73 crop year. Thus the USSR will still have to arrange for substantial imports for the 1973-74 year. Indeed, a sharp rise in the wheat futures market on May 17 and 18 in both the US and Canada was sparked partly by rumors of new Soviet purchases of wheat from three major US companies.

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USSR - EAST GERMANY

The Soviets announced last week that passes accrediting Allied military liaison missions to Soviet forces in East Germany have been revised. The new passes, which are supposed to go into effect soon for US, UK, and French liaison personnel, authorize travel "in and through the German Democratic Republic," rather than "in the area of stationing of the Group of Soviet Forces, Germany," as has been the case since 1947.

This move is the first direct Soviet challenge of Western Allied rights and practices in Germany since the Quadripartite Agreement on Berlin, and is quite inconsistent with Moscow's effort to regularize the status quo in the interest of detente. Moscow may want to test the Allies' resolve now that they are moving to improve relations with the GDR. The Soviet challenge may also be a pro-forma fulfillment of some sort of pledge to Pankow. Moscow is not likely, however, to push the new passes if faced with a firm Western reaction.

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USSR-MOROCCO

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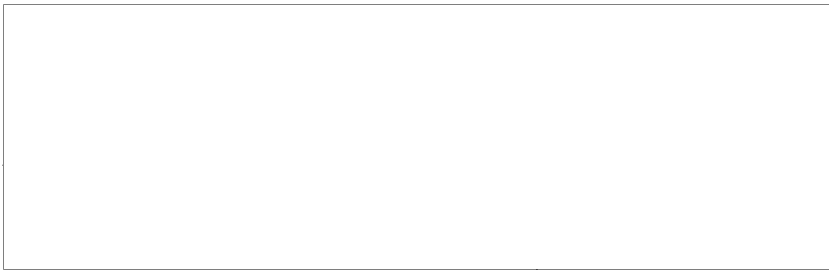
Two Soviet ships carried some Moroccan military equipment and possibly troops to Syria in late April.

The Soviet reversal may reflect Moscow's wish to exercise caution prior to the UN Security Council debate on the Middle East and the summit meeting in the US.

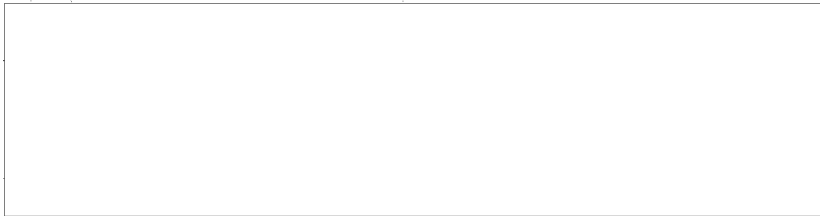
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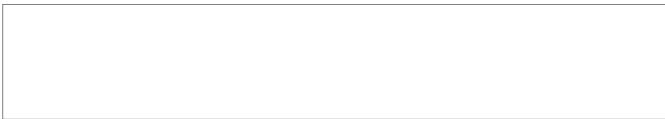
JORDAN



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ICELAND-UK

Over the weekend two British frigates escorted the British fishing fleet inside Iceland's 50-mile limit. Reykjavik ordered its coast guard not to engage the British ships, but closed all Icelandic airfields to British military aircraft. Reykjavik has also recalled its ambassador in London.

Iceland's UN representative has been instructed to "take soundings" on a special Security Council meeting, despite suggestions from some of the NATO allies that Reykjavik seek a solution first through the NATO secretariat. The government believes it could get the dispute on the Council's agenda. Reykjavik fully expects a British veto, but may make the attempt to garner sympathy and support for its position.

The Communist ministers in the government are trying to involve the Soviet Union and Eastern Europe in the dispute. Fisheries Minister Josefsson, currently visiting Warsaw en route home from Moscow, reportedly has asked his hosts for a coast guard cutter to supplement the small Icelandic force.

If all of Iceland's appeals for help are rejected, the government may tie the US base negotiations directly to a request that Washington support Reykjavik in the dispute.

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NOTE

North Korea - UN: North Korea reportedly has applied to Secretary-General Waldheim for observer status at the UN. Given Pyongyang's recent admission to the World Health Organization, Waldheim probably will approve the request.

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